CHELLANAM—INHABITANTS—REPRESENTATIONS OF

160. ചൌധരി ജി. എസ്സ്". ധാരാസിംഗ": ബഹുമാനപ്പെട്ട ഗവണ്മെണ്ട് താഴെ പറയുന്ന ചോദ്യങ്ങൾക്ക് സദയം മറുപടി പറയുമോ.—

(എ) പബ്ലിക്ക് ഹെൽത്ത് മന്ത്രി ചെല്ലാനം സന്ദർശിച്ചപ്പോൾ അവിടത്തെ നിവാസികൾ അവരുടെ ആവശ്യങ്ങൾ ക്രോഡീകരിച്ചുകൊണ്ടുള്ള വല്ല മെമ്മൊറാണ്ടമോ മറ്റോ സമർപ്പിക്കുകയുണ്ടായോ ;

(ബി) അതിൽ പറഞ്ഞിരിക്കുന്ന ആവശ്യങ്ങൾ നിറവേറ്റിക്കൊടുക്കുവാൻ ബഹുമാനപ്പെട്ട മന്ത്രി ഇതുവരെക്കും വല്ലതും ചെയ്തിട്ടുണ്ടോ ; ഉണ്ടെങ്കിൽ അവ എന്തു"?

മിസ്റ്റർ കെ. ബാലകൃഷ്ണമേനോൻ :

(എ) ഉവ്വ്".

(ബി) ആലോചനയിൽ ഇരിക്കുന്നു.

APPOINTMENTS—OFFICE OF THE DIRECTOR OF PUBLIC INSTRUCTION

161. **Mr. K. I. Velayudhan** *(Ezhuvas-Talappalli):* Will Government be pleased to state.—

(*a*) whether the present Director of Public Instruction after the assumption of office has appointed in his office any one from among the Ezhuvas, Valas, including Arayas, Pulayas and the Muslims ;

(*b*) if so, who are they ;

(*c*) how long they continued in the office each time ?

Mr. P. Sankaran Nambiar *(Director of Public Instruction):*

(*a*) Yes.

(*b*) 1. Mr. K. R. Viswambharan (Ezhuva).
2. ,, V. A. Velukutty (Vala).
3. ,, C. Kuttan (Pulaya).
4. A good number of Ezhuvas and Muslims have been appointed in temporary vacancies. As the question covers a period of over 15 years it is not possible now to furnish the names and the information referred to in sub-division (*c*) because relevant past records have in many cases been destroyed according to rules.

(*c*) No. 1 resigned from service. No. 2 was appointed on 4th Edavam 1106. He is still a clerk in the Department. No. 3 was appointed on 25th Karkadagam 1110. He is now the permanent gardener in this office ; please also see answer to sub-division (*b*).

2. ANNOUNCEMENT REGARDING THE ELECTION TO THE PUBLIC ACCOUNTS COMMITTEE

Mr. President : I have to announce that nominations of the following Hon'ble Members have been received for the election of 3 members to the Public Accounts Committee. They are.—

1. Mr. P. K. Dewer.
2. Mr. A. Eachara Menon.
3. Mr. C. R. Iyyunni and

and 4. Mr. P. Sankara Menon.

Mr. P. Sankara Menon having withdrawn his nomination, the other three candidates are duly elected to that committee.

3. LEGISLATIVE BUSINESS

GOVERNMENT BILLS

(i) The Cochin Income-tax Act (Amendment) Bill

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* Sir, I move that the Cochin Income-tax Act (Amendment) Bill be read in Council.

Mr. M. Sivarama Menon *(Advocate-General):* I second it.

Mr. M. O. Thomakutty *(Commerce and Industry):* I oppose the motion.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* Sir, Two objects are aimed by this amendment Bill. One is to raise the income-tax rates to bring them more or less on a par with the British Indian rates and the other is to give some relief to earned income as distinct from un-earned income. The income from company dividends and from things of that kind are classed under unearned incnme. Income from salaries and things of that kind *i.e.*, income

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actuallye arned by the effort of the individual is classed as earned income. For earned income concessions are given both in the Government of India Bills and the Bills of some other Indian States also. Cochinalso wishes togive the same concessions here and therefore it is provided that amounts up to 4,000 rupees will be exempted, provided they come under "earned income". That is one object, which this Bill has in view. The other object is, as I mentioned before, to raise the present rates of income-tax given in schedules II and III of the Act. These are the only two points that are involved in this amending Bill. As Government explained while introducing the Budget and during general discussions on the budget that there is a deficit in the State Budget which is to be covered by fresh taxation, this is one of the measures that we have in mind to get a little more income next year, and considering that even those increased rates are not quite equal to British Indian rates, we sincerely believethat this is not going to affect adversely any interest in this State. I have nothing more to add at this stage.

Mr. V. R. Krishnan Ezhuthassan *(Oorakam):* How do they compare with Travancore rates?

Mr M. O. Thomakutty *(Commerce and Industry):* Mr. President, Sir, I do strongly oppose this Bill. Let me bring home to the calm reflection of Government that before trying without due foresight, to introduce every Act in force in British India into our small State we must think twice as to the practicability of such importation. Everyone among us knows that we are just passing through or are just in the face of a great economic crisis. Just after the second Great World War many of our workmen have begun or are just about to begin to taste of the bitters of unemployment. To think of enhancing income tax at this juncture is to enhance unemployment. Such procedure on the part of Gove nment is to be judged as a great injustice and a great wrong done to Labour. It is, let the Government realise the truth of this in its effect, to cut at the root of our Trade and Industry both our own and that established in our State from outside. On the other hand, we must know that it is the duty of the Government to give every encouragement and place all facilities in the way of such internal and foreign trade and industry. When we turn our backs to the past history of our State—to the venerated and venerable ancestors of His Highness the Maharaja now most happily reigning and of the Royal Family of Cochin—who invited trade and industry to colonise the commercial nerve centres of the State in those far off days and took tender care to place all facilities in their way—the present trade policy of the Government seems to strike a far different and lamentably hostile note. It is regretable that our State once proud of its justice and encouragement and welcome and hospitality to trade and commerce seems to discourage it with scant justice at present.

Now, Sir, we have to consider the great problem of Labour confronting us in the State and to look for ways and means of effecting a happy reconciliation between Capital and Labour. It becomes more and more evident to us that much measures like the present bill with which the Government think of tackling the traders and factory owners of the State will only lead to greater unemployment for labour and only make more patent the Government's apparent want of sympathy and good will towards the labouring classes.

In the name, therefore, of the half-starved labouring classes and of their helpless children and dependants at least I do implore the Government not to proceed with the present Bill so as to pass it into law. In the name of the innumerable subjects of His Highness tho Maharaja who is always reputed for His Highness' loving and tender care for the welfare and prosperity of the people of the State I request the Government not to proceed with the Bill as it is injurious to their interests.

I mean only to request the Government to drop the proposed additional rates of income-tax as contemplated by the present Bill and to leave things as they have been hitherto. I may suggest also that the introduction of land tax—cultivation tax into our State as in the neighbouring State of Travancore—may not work injustice but be a source of additional revenue to the Government.

I have at the outset, referred to the unwisdom of the policy of introducing every British Act blindly into the State without any consideration as to its suitability and practicability here. One word more, Sir, before I conclude, on the comparative working of the Excess Profits Tax Act in the State and British India.

I know that there has been an impression previously among the people that the repeal of E.P.T. Act has been a blessing to Trade and Industry here. But the effect of the repeal has been just the reverse. While the Act meant to take 60 per cent from trade from profits in war

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time it meant also to reimburse to trade 60 per cent of the possible loss which might occur, *i.e.*, during post-war period. The repeal of the Act in the State has prevented this recompense contemplated by the Act.

The policy of our Government should always be broad-based. In conceiving the present Income-tax Bill our Government, I believe, has made a hard hit both on capital and labour.

Another fact which I wish to bring to the notice of Government, Sir, is with regard to the exemption proposed to be given in respect of earned income. The maximum of such exemption has been fixed at Rs. 4,000. Thus a man who has an earned income of Rs. 20,000 can claim a refund of Rs. 4,000 but a man with a greater income than Rs. 20,000 cannot get anything more. There is no justification in denying this privilege to a man who earns a greater income. Do the Government intend to impose a penalty on making greater income? In such matters Government must follow a uniform policy and the exemption that is granted must be in proportion to the income earned without fixing any maximum limit in the matter of refund. It has also to be remembered that as the income increases the rate of income-tax also rises so that Government take out more from a person making more income. I cannot also understand why this exemption cannot be granted in the super tax also. It is necessary to apply the clause about exemption to this tax also.

Before concluding, I would also like to make a general observation, apart from the merits of the Bill, regarding the status and pay of the officers of the Income-tax Department. The income realised by this Department has far exceeded the limits anticipated by Government, but it is regretable to find that the status and pay of the officers in the Department have not been improved in proportion to the increase in the work and responsibilities. Are the Government convinced that the present grade of pay.....

Mr. President: Order, order. I do not think it is relevant to the Bill.

Mr. M. O. Thomakutty *(Commerce and Industry):* Then I don't want to refer to it, Sir. I hope the Hon'ble Members will support the views expressed by me and oppose the Bill.

Mr. P. Kumaran Ezhuthassan (*Vadakkancheri*): May I know, Sir, by way of information whether this 4,000 rupees representing one-fifth of Rs. 20,000 alone will be exempted?

Rama Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): That is if one has Rs. 20,000 earned income, Rs. 4,000 will be exempted and tax will be levied only on the remaining 16,000.

Sabdai S. Koder (*Nominated*): Sir, I only rise to offer a few remarks on this amending Bill. Since Government has found it necessary to increase the rates of income-tax to meet the expanding expenditure of our State, I think it is only fair and just that we should demand the setting up of an income-tax appellate tribunal in the State like the one in vogue in British India. Recently Travancore has set up one there. I therefore request our Government should fall in line with British India and Travancore and set up immediately a tribunal consisting of a retired Judge of the High Court, a Government nominee and a non-official.

The next point I wish to refer is, the double taxation system. Though relief is given, the merchants are put to unnecessary expenditure and inconvenience to get the refund. I therefore, request that the Government will take the matter with the British Indian authorities and see that double taxation is done away with. We are looking forward to the day when our State will be a unit of the future Federal Union of India when income-tax shall be liable to be levied by one Government and there will not arise any question of remittances from one State to another. I hope Government will pay their closest attention to these two important matters that is demanded.

Mr. P. Kumaran Ezhuthassan (*Vadakkancheri*): Mr. President, I wish to intervene in this debate at this juncture. The Government, Sir, has come before this House with a proposal to step up the rates of income-tax and also to see that some relief is given to persons having earned income. I must really congratulate the Government on both these aims of theirs. But I have my own complaint against the Government also. And they are these.— The Government wants necessarily more money which they hope will be obtained from this source. The Government, I am afraid, Sir, has not taken note of the additional expenditure perhaps of a rocketing nature that they will have to incur in years to come starting even from the dawn of 1122. I am referring, Sir, to the intensification of the Post-war Reconstruction Programme which is started only in name. There is the absolute necessity or the compelling necessity of sincerely taking up prohibition to be achieved not before the doom's day, but, according to me, Sir, within a period of 5 years. Then education has to be made compulsory and free—free of course it is. I have in my mind, Sir, that free and compulsory education should not stop short after the primary stage after 5 years' course. If the expenditure upon that is to have a beneficial effect it

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has to be made compulsory and free in the higher stages, *i. e.*, up to the period when a child attains his 16th age. There are very many similar things also which have to be attended to. The step-motherly policy of Government in the field of industrial development which was very forcibly and pointedly referred to by the Hon'ble Lady Member for Trichur in her speech during the general discussion on the budget will have to be given up and vigorous industrial policy will have to be taken up. I used to see, Sir, when I travel from my place to Ernakulam and back that railway station, Alwaye. By the time we approach that station we see wonderous things are being done in our sister State of Travancore. Often do we try to imitate Travancore but not in useful matters—if there is any matter of retrogression there, you catch hold of that and say that you want to fall in line with the sister State. But, if there is a matter of progress especially in the field of industrialisation, Sir, you say that your policy is what is noted down in the Manu Subedar Committee Report which you have fully accepted. I think that the Government of Cochin has to resort to all sources of equitable revenues. And is there anything more equitable tax in the world than taxing the haves in contra distinction to have-nots ?

I was saying, Sir, there are various fields where we will have to spend money in plenty in the years to come and so, I feel, you have come in at the right time with this Bill whose main object is to step up the rates of income-tax.

Now, can I have one piece of information, Sir. Here according to our Act the tax on the first Rs. 1,500 is nil. May I know what is the exempted income in Madras and Travancore ? Is it more or less ?

Rama Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): I believe, it is the same.

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri):* I seriously doubt, Sir, whether this 1,500 rupees which works out at Rs. 125 per mensem should be exempted from tax. I think the figure can be lowered down to Rs. 1,000 so that in between Rs. 1,000 and 1,500 you can have a decent slice of money if you introduce income-tax on incomes over Rs. 1,000. When I make this statement I feel sorry, Sir, that I am wounding the feeling of many of my friends in the treasury benches and also some other sections of the House which have a capitalistic turn of mind.

Mr. C. S. Panicker *(Adur):* Need not mind. Ignore them. (Laughter).

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri):* Thank you for that consolation.

Therefore, my first suggestion is the limit should be brought down to Rs. 1,000 instead of Rs. 1,500.

Then I find the rates in the schedule of the British Indian enactment are much higher in almost every item. I speak, Sir, subject to correction.

Rama Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): That is so.

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri):* I speak from memory. I had no time to look into the schedule. If my memory is correct the rates of taxation in British India are higher than in our State. It is time that you fall in line with British India in this very reasonable thing, to bring you a useful slice of money.

Mr. S. P. Luiz (*Nominated*): Spend also like British India.

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri):* By all means, Sir, spend like Travancore in industrialisation, spend like British India on prohibition. If you do this I will be only glad. These are the two suggestions I wish to make. On closer examination there may be more suggestions which other Members of this House will be able to give. Therefore my suggestion, Sir, is that it may not be simply stated as was done by the Hon'ble Chief Secretary that the two points here are to exempt earned income up to one-fifth of Rs. 20,000 from tax and to raise the rates in the schedule and then if the President is pleased to suspend S. O. 32 it can be made into law, immediately. This is not a Bill of that sort. This is a Bill which should be examined by persons competent to examine it, who have the interest of Cochin at heart in order to see that Cochin gets enough money to spend on proper lines without troubling the persons who are already troubled — in other words taxing the haves. When I say this, Sir, I am not unconscious of the fact that incidence of taxation inclusive of income-tax will ultimately fall on poor people like me. There is no harm, Sir. It is a sort of sacrifice which persons have to make, especially when you have done that great blunder of blunders, doing away with the Excess Profits Tax Act. What was the justification in doing away with that Act, I ask you, Sir. That was bringing you a large amount of money. The actuals of 1120 as seen in the budget according to this source is Rs. 24,48,160. Well, what made you bold to give up this income which was most equitable? You look at the taxation in the civilised countries.

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Mr. President: Order, Order. I should like to remind the Hon'ble Member that the reason for giving up Excess Profits Tax Act was fully explained in the course of the budget discussions.

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri)*: Explained, it was, Sir, but I must clearly indicate that I am not at all satisfied with that explanation (*Laughter*). I will characterise it as an apology for the repeal of that most equitable tax, or it was a case of your trying to come into line with British India in this matter. I register my protest against it. We will see whether with the help of my friends to my right it will not be forced down your throat again, because we want money for so many things to be spent in the interest of the masses of Cochin.

A Voice: Prohibition.

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri)*: Prohibition, electrified industrialisation and other matters. We want to do away with your slow progress. You will have to be electrified in your method of progress.

Mr. P. Govinda Menon *(Ernakulam)*: Electrocuted!

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri)*: If electrification will not suffice to accelerate the speed then it may be true enough to think of electrocution. But electrocution brings about a painless death. But I seriously doubt if our Treasury Benches deserve such painless death (*Laughter*).

Mr. President: Order, order. I have to request the Hon'ble Member to keep to the point.

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri)*: Therefore my suggestion, Sir, is in as much as there are extensive possibilities of getting good slices of income by amending the Income-tax Act properly, it is up to the Government and the other sections of this House to move in that direction. I hope the various sections of this House inclusive of my hon'ble friend who opposed this Bill and others who think with him will be able to support me when I say that this Bill, although its provisions are simple ones, should be examined by an expert select committee. In constituting the committee you must be very careful. It must be a committee composed of Hon'ble Members who will attend all its meetings and before attending the meeting will study the papers thoroughly and will be able to throw useful suggestions at the meeting. I am sorry I have to make these observations because I have experience of certain select committees of which I happen to be, unfortunately, a member. Therefore I would earnestly request, Sir, for these reasons to send this Bill to a select committee with directions to report even before this session is over. No Hon'ble Member of this House will grudge to work after Council hours though for no remuneration.

Mr. P. Govinda Menon *(Ernakulam)*: Whoever suggested that?

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri)*: Nobody suggested it. I say this because I feel an observation will come from the other side.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government)*: What observation?

Mr. P. Govinda Menon *(Ernakulam)*: They never said such mean observation.

Mr. President: The Hon'ble Member may proceed.

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri)*: Yes, Sir, I may be allowed to proceed (*Laughter*).

I suggest that to such a committee this Bill should be referred. I might express, Sir, that some of my remarks were not pleasant to my hon'ble friend, the Leader of the Opposition who has classified them as unparliamentary. These are, however, all matters which we will adjust among ourselves.

Then a word to the member who opposed the introduction of this Bill. The reasons which he gave out are—I have noted them here—his solicitude on behalf of the labour, equitable adjustment between capital and labour and considerations of that kind. They need not be taker seriously. They are the usual observations to be expected from such quarters.

Then a suggestion came from the Hon'ble Member Mr. Koder, that the appointment of an Income-tax Appellate Tribunal as is obtaining in British India and is also about to be introduced in Travancore is absolutely necessary. I commend that suggestion to the Government. We are not complaining against the method of disposal of income-tax cases or the integrity or honesty or capacity of the Income-tax Commissioner who hears these appeals. But better still if there is an appellate authority, a competent appellate authority. With these words I wholeheartedly support the Government's motion and request the Government to move for the appointment of a select committee themselves.

Mr. P. Govinda Menon *(Ernakulam)*: May I know what is the expected increment in revenue?

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Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* Between 3 and 4 lakhs.

Mr. K. T. Achuthan *(Ezhuvas-Mukundapuram):* May I know what are the rates? Same rates as in Travancore?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* A little higher.

Mr. K. T. Achuthan *(Mukundapuram-Ezhuvas):* I also wholeheartedly support this Bill. This Council for the last very many years was echoing this opinion that the same rates as are followed in British India must be followed here also on many grounds. As was expressed by the Hon'ble Member from Vadakkancheri that our future Government will be a dynamic Government which has got a very huge responsibility to discharge and has, I think, to find a lo of money to do the work. Therefore one of the best ways for realising money is from Income-tax. As was said by the Hon'ble Members this amount is raised not from the poor; even though ultimately the consumer may be affected, for the time being only the rich people will be taxed and that not wholly but only a proportion which is meant for their luxuries and enjoyments. But I understand the rates are lower than in Travancore. I cannot agree to that proposal. At least we must adopt the same rates. What objection is there in adopting the same rates as in British India? For the last so many years the complaint has been that industries have been killed. Every day we see in paper about industries and commercial concerns are coming in large numbers. What is the ground for the Government for reducing the rates from those in British India, and even the Travancore rates are higher than Cochin. In Travancore also from papers we see that individual enterprises of a very high magnitude are coming into being in each and every village. I strongly ask the Government to refer the Bill to a Select Committee to finish the work during the Budget Session. The rates can be considerably enhanced but at the same time taking into consideration the point of attraction of capital from British parts to come to this State. The Travancore Government has included Agricultural income-tax also, not with a new, but in the same income-tax bill. I do not know whether my information is incorrect. The Covernment should have added certain sections if possible, taxing the agricultural income also. There can be no distinction between agricultural income and commercial income. What objection has the Government to adopt such policy here also. What right has agricultural income to keep away from taxation, I ask this House. So I think in all respects this Bill cannot be totally passed in law unless it has been referred to a Select Committee of experts to scrutinise these aspects seeing as far as possible all these considerations are taken into account and suitable amendments are introduced in this Bill. Therefore I strongly support the Bill and ask the Government to refer the Bill to a Select Committee.

Dr. S. S. Rao *(Nominated):* Sir, I like to offer a few remarks. My Hon'ble friends on the right have expressed that our taxation of income is to be brought to the same level as in British India, and that excess Profit Tax must be reintroduced. Before mentioning these facts I am afraid my Hon'ble friends have not realised what the position of our taxation here in Cochin State is. In comparision with that of the Travancore State as well as the Madras Province as per the report I have received from the United Merchants Association here, I observe that the population of the Madras Province is 498 lakhs, per capita taxation for the year 1945-46 is Rs. 9 and 46-47 per capita tax is brought down to Rs. 8. Now in Travancore State the population is 66 lakhs. The per capita taxation in Travancore State is Rs. 11 and even after the increase of the agricultural tax it has come up only to Rs. 12—8—0. Our population is only 15 lakhs. My Hon'ble Members, our per capita taxation is Rs. 22 per head. And with the introduction of the Sales Tax it is going to up go to Rs. 24. Have you realised this before you expressed that we should also adopt the same level as that of the British Province? Have you realised this position ? (voices 'Yes'.)

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri):* Misleading figures.

Dr. S. S. Rao *(Nominated):* Do you think that the United Merchants Chamber will go wrong? We have to realise the necessity for the increase in taxation, and the circumstances under which the Government have been constrained to increase the same. That of course we cannot forget. The Government having been constrained to increase the tax, to advise the Government to adopt the same level as in Madras Province, I believe, is a blunder.

Mr. M. Sivarama Menon *(Advocate-General):* Sir, The ideal of all Governments in India which have got soverign powers must be to have a uniform rate of income-tax. Then one State cannot complain that there is a sort of discrimination in tax and therefore where there is a lower rate of income-tax industries rush to that place. That is the ideal in India, and I am sure

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that that has been the ulimate policy of the Government of India also. But as a matter of fact it is not possible to go straightaway to step up the rate of income-tax in a small State like Cochin without repurcussions to the interests of the State itself. Therefore, it is only by gradual stages that this Government has been stepping up the rate of Income-tax and super-tax. For instance when the excess profits tax was introduced in the State there was a huge cry on the part of the mercantile community that for want of a parallel legislation here, a large amount of trade in Mattancheri will be shifted to Alleppy, that even though on a close watch the anticipations have not been fully fructified. Yet, of course in a small percentage markets of certain commodities have also been shifted to Alleppey. For instance pepper, ginger, etc., for which Cochin was the major port. Now Government are never against the stepping up of the rates of income-tax on a principle that every person should be in a position to contribute more to the coffers of the State. In cases like these when soon after the war, everything is in a fluid state, if we take a wrong step which will affect trade and industry, that will be suicidal to the interests of the State. Therefore Government had in view the stepping up of the rates of income-tax and super-tax to some more extent in order that it may come to the level of British India. When our neighbouring States of Mysore and other States have got an Incom-tax which is lower than ours then there is the likelihood of several features coming into play in the development of industries and commerce in the State. Now as a matter of fact because there is no abundance of electric power in Cochin, we find sevaral industries are not coming up. In Mysore, there is abundance of electric power; in Travancore also with the development of the Pallivasal scheme several industries are coming into being. With the development of our Hydro-electric Scheme there is the possibility of many industries coming up in Cochin also. Therefore we have resolved to watch the situation progressively and then adjust our rates to the growing conditions of the country. Government have not gone up to the British level but have stepped up to some extent. That is the policy. Not that the Government are against increasing the rate of income-tax. We must remember all these things. These are the considerations which have actuated the Government in fixing these rates which are practically a little more than Mysore and little lower than British India. In Travancore, the system itself is different. There it is the slab system. Now therefore, the question before the House is this, the Government are not against the policy of increasing the rates of income-tax and super-tax. But we must progressively watch the repurcussions of such increase on trade and commerce in a small State like Cochin. We have a major port. Though the Revenues of Cochin Port are pooled with the Revenues of other Ports like Alleppey, Vizagapattam, it is only during the monsoon season that any goods can be taken from Alleppey but during other seasons of the year they can take goods to steamers which are anchored at Alleppey which means a loss in the revenues of our port. In the case of our port, transport charges, etc., can be avoided. All these are taken into consideration by the Port Advisory Committee in fixing the rates of tonnage, the rate dues and other duties upon goods which are exported and imported at our port. We have always keep in view the fact that the State is so small that we cannot enter into serious competition without detriment, to on interest and therefore keep the rate somewhat at an attractive level. That is in the interest of the port. So our proposal is to step up landing and shipping little by little. This stepping up of rates will yield an amount of 3 to 4 lakhs. We have to watch and find and see that the interests of all are safeguarded. There is nothing which prevents the Government from doing as suggested but it may have deteriorating effects. As a matter of fact, some injuries are likely to arise. Therefore little by little we can step up the rates and then see that the coffers of the Government are enhanced regard being had to the fiscal policy throughout India as a whole. Therefore this Hon'ble House may not be misled into the belief that we are now budgetting for an increased revenue of 3 to 4 lakhs by getting an amendment of this Act at this stage. As a matter of fact several apprehensions have been raised but there are no amendments before this House. Some suggestions have been thrown out also. It is not strictly necessary for me to answer the several points for which there is no material before me. For instance the Appellate Tribunal that question happened to be accidently considered by the Secretary to Government, myself and the Income-tax Commissioner when we discussed certain other matters. Though as a matter of fact in Madras and Travancore there are such tribunals, in Cochin the number of cases in appeal is not so much as to justify the appointment of a tribunal straight-away. A time may come when the Income-tax Commissioner will have to be divested of his powers and it would become necessary to constitute a tribunal but the expenditure involved in the creation of such a tribunal is not justified by the number of cases in hand and the merchants, the taxpayers themselves have not had any occasion to move the Government in that respect, in order that the

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Government may study comparative advantageous and disadvantageous to see whether such a change is necessary. I would say that if a comprehensive amendment to the Income-tax Act is considered advisable I think the better course would be to bring in a comprehensive measure of that nature. The scope of the present bill is entirely limited. If amendments to the Act are necessary the same may be moved in the form of a separate Bill. This Bill may not be delayed for pressing for other comprehensive amendments. Therefore what I would request the House is if comprehensive amendments to the Income-tax Act are considered necessary those facts may be placed before the Government. Government will consider the same. The main ground that has been touched upon was that the rates are still to be raised. It has also been suggested that a Select Committee can report in two or three days. The Income-tax law is such a piece of technical law that any tinkering here and there without having a corresponding provision in the Indian Income-tax will also be to the disadvantage of trade. We must as far as possible go hand in hand with British India in the matter of Income-tax law. I request this House to pass this Bill and then bring in a comprehensive Bill upon any point or any inconvenience if it is felt that there is necessity for an amendment. With these words I resume my seat.

Mr. P. Govinda Menon *(Ernakulam)*: Mr. President, I wish to dispel an impression created in this House by a pamphlet circulated by the United Merchants' Association to which my Hon'ble colleague Dr. S. S. Rao referred. It is fallacious to think that the incidence of taxation in Cochin is higher than in Madras. For example in the Presidency of Madras there are two authorities levying tax. There is the Central Government as also the Provincial Government. The figures referred to by Dr. Rao refer only to the taxes levied by the Province of Madras and not to the taxes levied by the Central Government from the people in the Madras Presidency. I can just now remember three huge items of taxation which are levied by the Central Government from the Presidency of Madras *viz.* Income tax, then customs and also railways income. Now in our budget, although the annual anticipated income for 1122 is put as 322 lakhs, it does not really represent the true income which we derive by way of taxation. For example under the head railway the Hon'ble Finance Member has shown that our income is 46 lakhs but really this is not the incometax which our Government is going to derive. The net railway expenditure is 35 lakhs and in 1122 we only get an amount of 11 lakhs. I think it is an incorrect mode of preparing the budget to show an income of 46 lakhs under railways against an expenditure of 35 lakhs under the same head because it is not an expenditure met by the exchequer. The proper form of budgeting ought to be to show the income from railway as about 11 lakhs for the next year in which case the anticipated revenue for the year 1122 will be 22—35 lakhs. So the Government has to some extent inflated as shown in the budget. Then our income from incometax for the next year budgetted is about 34 lakhs, customs about 30 lakhs. If you remove these and compare ourselves with the Province of Madras, I think the impression sought to be created in the minds of the Hon'ble members by those who issued the phamplet can be removed. For example the population of Travancore is given as 66 lakhs but according to the 1941 census report, I think it is only 60 or 61 lakhs. Such is the accuracy of the information which forms the basis of the opposition of the Hon'ble Member for Commerce and Industry and Dr. Rao against any new item of taxation.

Dr. S. S. Rao *(Nominated)*: We are not against taxation. I would ask the Hon'ble Member whether before expressing his opinion against the phamplet, he has taken the trouble of meeting the Secretary of the Association and asking how the figures were arrived at.

Mr. P. Govinda Menon *(Ernakulam)*: I would like to do it, but for want of time I could not do it.

Shabdai S. Koder (*Nominated*): It is better of course to make a proper enquiry before making any remarks.

Mr. P. Govinda Menon (*Ernakulam*): But the evidence is available from published State documents. For example the population of Travancore is not a matter for controversy between me and the Secretary of the United Merchant's Association. It is a matter which appeared in a published document, published by the Travancore Durbar. So also it is well-known that in British India there are two authorities which are levying taxes. These are not matters for controversy. In Cochin there is only one Government functioning. There is no Central Government and no local Government, and therefore all the taxes are levied from the State.

Shabdai S. Koder (*Nominated*): Is the Hon'ble Member aware that a large slice of incometax levied by the Central Government is given back to the Madras Government ?

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Mr. P Govinda Menon (*Ernakulam*): That is so, Sir, but that will not appear in the budgetted income for the budgetted year in Madras. However that may be the attempt of the Government to get some more income by amending the income-tax Act is one which this House cannot oppose. There have been Sir, suggestions made by the Hon'ble Member from Vadakkancheri and Mr. Achuytan that the rates of income-tax ought to be increased, and that the non-official section of this House should request the Government to increase it now and at once. Personally speaking I have absolutely no objection to the rates of incometax being increased but I hold a theory—I dont't know whether my friend agree with me or not—I hold the theory that it is none of the functions of the non-officials to suggest new items of taxation. I will give a tip to my Hon'ble friend that he must not attempt at new taxation. We are envisaging a state of circumstances when we will get power and may have to launch large nation building schemes and then we will have to come before this House with the request that new items of taxation may be sanctioned. (Hear, hear.) It is not proper to allow the present Government to exhaust all the sources of taxation that will be available and therefore if the present Government thinks that they will be stisfied with this rate of tax it is none of our function to suggest to them to levy a better scale of taxation. If Government thinks that they do not want more money for running the administration next year of course, according to the old time-honoured methods—that is how they are running the administration. If they want only 4 lakhs of money why should we put more money into the hands of this irresponsible administration. That is the suggestion that I put to this house. With these remarks I support this bill before this House.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* The great controversy is with regard to the rates. With regard to that the Government's policy is to raise the rates little by little, till the rates of this State come to the same level as in British India. The only question was whether we should raise the rates all on a sudden. British India we all know will only be too glad if we raise the rates immediately to their level. I am sure the Hon'ble Members have read several reports on this subject and even debates which occur periodically whenever questions of industrialisation are taken up. These questions came up prominently in their planning sub-committee and the point was definitely made out that so long as Indian States are allowed to have the income-tax schedule lower than the British Indian rates it is to the definite disadvantage of British India in that capitalists will certainly like to invest their capital in a place where the rates are lower. It doesn't matter if the States will raise the rates later on. The Industrialists will not be frightened by that. They are people who calculate both on long term and on short term investments. If they do not lose in the long term investment and if they knew that in the short term investments they would lose, certainly they won't mind transferring capital from British India to native States. This is an apprehension that is really prevalent in the minds of the British Indian authorities and the leaders in British India. And it will not be surprising even if there is a sort of suggestion from responsible quarters that our rates should also be raised to the British Indian level. As I said before, this Government are not averse to inceasing the rates till we reach the British Indian rates. But we feel in these critical days when large industries are likely to be started the Government by their own action should not stand in its way. We should give a fair chance for British Indian capital to come into our State. Therefore it is not right that we should all on a sudden raise our rates to the British Indian level. We will do it little by little.

There is also another point. For 1122 our deficit is about 31 to 33 lakhs. That can easily be made up by the present rate. 4 lakhs we propose to get from the income-tax higher rates and about 2½ lakhs from the increase in super-tax or about 6 lakhs we will get from this, to get sufficient money to make up the deficit. I also propose to move introduce the Sale Tax Bill immediately after this.

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri):* What is the amount of super-tax?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* About 2·5 lakhs. All the legitimate expenses for the next year can be met by this amount. By 1123 we should expect a recurring expenditure on account of expanding the activities of several beneficial schemes which we propose to introduce immediately as post-war development measures. In 11_3 the recurring expenditure will certainly go and then it may not be possible to raise the sales tax against that time. The percentage that we propose to adopt is the same as in British India and therefore it will not be an elastic revenue. Therefore we will have to fall back upon this again in 1123 and probably in 1124. Therefore it is not out of place to give up taxing more and leave what we want to be collected when we actually want the money. For these reasons, the Government consider that there is really no need for this Bill to go into a Select

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Committee at this stage. The reason is only this. The policy is to raise the tax little by little and tax more when there is need for it.

As regards the suggestion for the tribunal as the Advocate-General said, this will be considered when the need for it arises. With regard to the rebates and the difficulties in getting rebates which the Hon'ble Member Mr. Koder referred to, I do not exactly follow what the difficulties are. Sufficient precautions have been taken and adequate provisions have been made to see that persons who are taxed both here and in British Indian or in Travancore and Cochin get due rebate from our Government. Any-how that point can be considered in greater detail. But this question does not in any way come in the Select Committee and if we wanted to get its report it will take some time. We want money urgently from 1122. So I suggest that these questions may wait and that the Bill may be passed.

Motion put and carried.

Secretary to the Council: That the title of the Bill is The Cochin Income-Tax Act (Amendment) Bill.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* I pray that Standing Order No. 32 may be suspended.

Mr. M. Sivarama Menon (*Advocate-General*): I second it.

(Standing Order—32 suspended).

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* I move that the Bill be taken into consideration.

Mr. M. Sivarama Menon (*Advocate-General*): I second it.

Motion put and carried.

Clauses 2 to 8 put and carried.

Schedules 2 and 3 put and carried.

Clause 1 put and carried.

Title and preamble put and carried.

Rama Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): I move that the Bill be taken up and finally passed Tuesday, next week.

Mr. M. Sivarama Menon (*Advocate-General*): I second it.

Motion put and carried.

The House rose for lunch at 1-33 p. m. and reassembled at 2-33 p. m. with the Hon'ble President in the Chair.

(ii) The Cochin Sales-Tax Bill

Rama Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): I beg to move that the Cochin Sales Tax Bill be read in Council.

Mr. M. Sivarama Menon (*Advocate-General*): I second the motion.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* This is the second measure that we propose to introduce to get over the deficit in the Budget. There is a deficit of over Rs. 31 lakhs and excepting about 6 to 6½ lakhs from extra taxation under income-tax, we have still to find about 24 to 25 lakhs to cover the deficit for the next year. This large deficit is after taking 25 lakhs from the reserve fund for revenue expenditure. The reserve fund normally is to be tapped when there a deficit on account of very unexpected reasons and in times of depression and times like that. But this time we have transferred 25 lakhs out of reserve fund because several of the items that have been on increase expenditure next year are items which come under development schemes, but schemes which are not in the technical sense of production. For example, improvement of roads, opening of new roads, building projects and expenditure under education and then finding funds for noon-day feeding, improvement of fisheries by buying vessels from the Naval authorities to conduct deep sea fishing, improvement of agriculture, giving manure at reduced rates and things like those which cannot be put under capital schemes, technically which are all beneficial, schemes, which all come under the general group of Post-war development scheme. It is because of this large expenditure on account of

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